

Durham Research Online

Deposited in DRO:

03 December 2020

Version of attached file:

Accepted Version

Peer-review status of attached file:

Peer-reviewed

Citation for published item:

Nehme, R. and Michael, A. and Kozah, A.E. (2021) 'Performance appraisal and premature sign-offs and underreporting of chargeable time of external auditors – internal benchmarking of experience and gender.', *Benchmarking : an international journal.*, 28 (4). pp. 1319-1334.

Further information on publisher's website:

<https://doi.org/10.1108/BIJ-10-2019-0467>

Publisher's copyright statement:

This article is made available under a Creative Commons Attribution Non-commercial International Licence 4.0 (CC BY-NC 4.0) and any reuse must be in accordance with the terms outlined by the licence.

Use policy

The full-text may be used and/or reproduced, and given to third parties in any format or medium, without prior permission or charge, for personal research or study, educational, or not-for-profit purposes provided that:

- a full bibliographic reference is made to the original source
- a [link](#) is made to the metadata record in DRO
- the full-text is not changed in any way

The full-text must not be sold in any format or medium without the formal permission of the copyright holders.

Please consult the [full DRO policy](#) for further details.

Performance Appraisal and Premature Sign-offs and Underreporting of Chargeable Time of External Auditors – Internal benchmarking of Experience and Gender

Abstract

Purpose: The research paper investigates auditors' dysfunctional behaviors in relation to performance appraisals. It explores the Dysfunctional Audit Behavior (DAB) differences among experienced/inexperienced and male/female auditors when expecting performance appraisals. How their perception of DAB change, and how their reactive-outcomes vary.

Methodology: The survey comprises statements pulled from performance appraisal templates used by the Big Four audit firms in the UK. The sample has been tested during two different periods to highlight variations in the perception of DAB.

Findings: Experienced auditors become more tolerant of DAB compared to their perception when they were inexperienced. Inexperienced male auditors are generally more accepting of DAB compared to their inexperienced female counterparts. Experienced female respondents continue to be less accepting of DAB.

Originality: The study associates performance appraisal procedures with DAB. The analysis examines the perception of dysfunctional behavior according to the level of experience auditors (males and females) accumulate over time.

Key words: Performance appraisals, Big Four, experienced/inexperienced, gender, DAB

1. Introduction

Various risks introduced after the many accounting scandals of Enron, WorldCom, Tyco International, and others that played a major role in transforming the markets from the information age into the knowledge age (Howieson, 2003). The decision process is becoming more complicated where information should be both complete and assured. The completeness and assurance of information are vital characteristics that reflect reliability and validity. Completeness is ensured through applied accounting standards and regulations, while information assurance is confirmed through applied auditing standards. (AccountAbility, 2003, p.18).

The public perceives auditors' tasks and responsibilities as different from what the auditor is really performing due to different workplace conditions (Hong and Thuong, 2020). Consequently, the need for external verification and assurance is supported by several key assertions. External verification improves reporting because of the scrutiny inherent in such an examination. Without credibility offered by the external verifications, some investors may consider reporting to be a sort of “green wash” (Greer and Bruno, 1996). Accordingly, there are enormous expectations and demand for auditors to perform efficiently in order to satisfy the business community needs. These growing needs can place pressure on auditors in such a way that significantly affects their behavior and leads to dysfunctional audit performance and consequently reduce audit quality.

Human resource departments have initially concentrated on the administrative part of human resource management. The shift in Human Resource Management (HRM) practices result in staff evaluation processes in audit firms (Brierley and Gwilliam, 2003) because of the transformation of small, terminal audit firms into large, multinational ones. The new staffing structure reflects the success of an auditor by promoting the related party up the hierarchal pyramid. HRM has gained significant importance in multiple business fields today; therefore, it is more effective and thus

should influence the organizational designs and layouts all while aiding in managerial changes and decisions (Dessler, 2005).

The objective of this research paper is to assess the perception of external auditors in relation to dysfunctional behaviour. The aim is to highlight whether external auditors commit premature sign-off and under-reporting of chargeable time when they are expecting a performance appraisal. The motivation and value of this research stem from being a paper covering the behaviour of Big Four external auditors. The Big Four audit firms dominate more than 90% of the FTSE350 companies in the UK. Thus, assessing their behavior will help practitioners to enhance audit quality by minimizing dysfunctional behavior. The main contribution of this research is that the sample was tested twice in two different periods to highlight the potential impact of years of experience on auditors' behavior. From an internal benchmarking perspective, the gender factor is introduced as well to highlight any behavioral differences between male and female auditors in relation to dysfunctional behavior. Amongst many findings, experienced auditors have more tendency to accept dysfunctional behavior compared to their own behavior before three years. Female auditors are less tolerant of dysfunctional behavior compared to their male counterparts. Our results may help audit firms to adjust their appraisal system if such practices are leading to unethical acts. Accordingly, we introduce two main research questions as follows:

RQ₁- How do auditors perceive dysfunctional behavior whilst being trainees at period 0 and after 3 years of experience (period 3), when expecting a performance appraisal?

RQ₂- How does dysfunctional audit behavior vary between genders at period 0 and at period 3 when expecting a performance appraisal?

The remainder of this study is organized as follows: Section 2 outlines the literature review, Section 3 describes the research design, Section 4 discusses the results, and Section 6 concludes.

2. Literature review

2.1 Performance appraisals

Reporting performance is one of the critical issues in performance evaluations (Engemann, 2006). To achieve better performance, companies are continuously forced to update their processes to remain in a healthy financial condition. Updating processes normally require conducting benchmarking, whether internal or external, which is said to be crucial in assessing and evaluating updated processes (Southard and Parente, 2007). Among different aspects of performance evaluations, audit quality is a very delicate matter to measure, since it is sensitive to auditors' behavior. Human resources can certainly provide an erratic and unparalleled source of competitive advantage and a significant performance margin increase to the firm (Bharadwai and Menon, 2000; Singh, 2018). Performance appraisals are considered essential parts of a company's HRM (Kakkar et al., 2020). As employees can demonstrate different attributes and different behaviors, so must their training be dynamic and appropriately fitted accordingly (Lin et al., 2008 and Lee, 2018). As the training becomes more moldable to fit the preferences of different employees, changes in increased performance arise. The training process usually incorporates involving employees in decision making and judgment engagement, because this method is a two-way constructive paradigm, both influencing performance and improving it by appraising the employees and giving them a sense of valuation.

Performance in general is the evaluation of operational activities, goal-oriented achievements, and sustainability followed by profitability for any firm or business. It is also noted that performance evaluations are not easy tasks to undertake and execute (Neely et al., 1995). Audit firms' affiliates and partners can have dissimilar interests from inexperienced auditors, and as such, performance in the workplace can take a severe hit (Brierley and Gwilliam, 2003). These divergent views can

cripple the audit quality and destroy the audit profession. Previous research has determined that HRM was not of significance when dealing with audit firms' value systems (Emby and Etherington, 1996). With the profound job involvement of HRM (Singh and Gupta, 2015), coaching/training has been put into place in which for each audit, an inexperienced or assistant auditor is assigned to an experienced auditor as a supervising coach to perform the respective evaluation of the inexperienced performance. Based on company personnel input, there are five fundamental elements of performance measurement criteria according to the External Auditor Assessment Tool (Reference for Audit Committees Worldwide, 2015):

- (1) Quality of services provided by the external auditor
- (2) Sufficiency of audit firm and network resources
- (3) Communication and interaction
- (4) Independency, objectivity, and professional skepticism
- (5) Recommendations

Vast research has been conducted based on monotonic samples whereby the subjects tested were not followed up from one period to the next. DAB signaled by premature sign-off, gathering insufficient auditable evidence, altering audit procedures, and under reporting of chargeable time are widespread problems (Otley and Pierce 1995). Audit quality is not easily measurable because of its sensitivity to auditors' behavior. Experienced firm affiliates can have different interests from inexperienced auditors, which could result in unsymmetrical results concerning the motivation of auditors in the workplace. Auditors usually assume that their performance assessment and career development in an auditing firm are strongly correlated with their capacity to complete an audit obligation on time and within the budget (Robertson et al., 2011). It is noted that time constraints are difficult to abide by, and this can disturb audit quality (Dalton and Kelley, 1997). Such compromised quality is reflected in premature sign-offs when auditor conclusions are presented

hastily. According to KPMG performance evaluation (2011), audit performance evaluation takes place based on several criteria: the caliber of the auditing firm, quality of processes, tendency to abide by the auditing budget and time frame, sufficient resources allocated for the audit, adequate team members, and succession plans for other auditors. Like regular employees, auditors care significantly about their future in the firm and about their professional continuity and promotions. Their behavior is mainly concerned with the evaluation of their experience that might result in a promotion or advancement or in a termination of service. The behavior of auditors, and specifically dysfunctional behavior, becomes more accepted conduct with time. Performance evaluations take place based on knowledge in the auditing profession, decision making and timely practical verdicts, portfolio management, and compiled years of experience. Some factors are restricted to stretches of time and are static, while some are dynamic and subject to manipulation (KPMG, 2011).

2.2 Selection and training

Professional accounting firms are naturally designed to train fresh accountants through a mentoring system in which experienced managers and audit partners keep a close watch on the professional development of new recruits (McManus and Subramaniam, 2009). According to Rosli and Mahmood (2013), when discussing the moderating effects of HRM practices and entrepreneurial training on improvement and firm performance, it has been noted that “The greater the interaction between HRM practices in terms of employee recognition, compensation, and innovation initiatives, the greater the overall performance of small to medium firms is.” Training can be considered a turning point in the career of an inexperienced accountant. It can help appoint them as managers with increased responsibilities. This happens while technical abilities in accounting are enhanced and developed. Inconsistent selection of experienced auditors can result in turnover

of higher employees. Greater turnover leads to less consistency in employee devotion and retention. The handover of company financial statements to inexperienced auditors and their high turnover is frustrating to clients (Brierley and Gwilliam, 2003). Accordingly, the importance of the selection processes and training cannot be undermined in the improvement and growth of a business and in the career development and retention of inexperienced and entry-level accountants. The idea of decreasing premature sign-off reporting activities is reinforced by the importance of inexperienced auditors' training programs. In addition, experienced auditors should be trained to be well equipped in detecting premature sign-offs by inexperienced auditors (Hyatt and Taylor, 2013).

2.3 *Audit behavior*

Understanding the effect of organizational commitment and communication on job stress and performance is of great importance for audit firms (Chen et al., 2006). Extended organizational communication generally does not reduce stress levels or influence job performance. Therefore, stress effects in the auditing field are different from stress effects in other fields. Auditing aims at issuing reasonable assurance in terms of the reliability and the legitimacy of companies' financial statements according to an established criterion (Wanke et al., 2017). This profession strains results in psychological and behavioral complications that negatively influence job performance (Williams et al., 2001). Insufficient team member supervision, irresponsible performance appraisals and evaluation fill-outs, and exertion of severe pressure on the audit team are the most intense behaviours experienced (Herrbach, 2001). Sabotage among high-performing auditors is a highly plausible scenario when limited opportunities are available (Demere et al., 2016). Static performance appraisals can likely result in dysfunctional audit behavior (Andiola and Bedard, 2016). Inexperienced auditors with a sturdy orientation feedback are more coordinated and

synchronized with their coaches in comparison to those with unsteady orientation. It is important to point out that strong feedback orientation combined with better attributes is not always linked to positive assessment and promising appraisal outcomes. Distressed auditors with weak feedback can be enhanced, and this issue can be resolved through appropriate planning and proper training with predefined learning goals (Vandewalle et al., 2001).

Dysfunctional audit behavior is a response to the environment. Such behaviors can have adverse effects on audit quality, both directly and indirectly. Direct behavior influences include premature sign-offs of audit phases without the actual completion of their procedures (Otley and Pierce, 1995), insufficient gathering of evidential materials (Alderman and Deitrick, 1982), inaccurate processing, and omission of audit steps (McDaniel, 1990). When auditors disclose an audit procedure and define it as cleared when it is not, this is best known as false sign-off (Hyatt and Taylor, 2013). Underreporting of chargeable audit time has been shown to indirectly impact audit quality (Smith, 1995). Underreporting frequently leads to poor individual decisions, blurs the necessity for budget revision, and leads to unrecognized time pressures on upcoming audits and auditors. Dysfunctional behavior is not involved to these consequences only, but is also affected by organizational commitment, turnover willingness, and locus of control. Auditors with internal locus of control are less prone to behave in a dysfunctional manner when compared to auditors with external locus of control (Donnelly et al., 2003). Furthermore, auditors with high turnover intentions are more likely to behave dysfunctionally, because the auditor's commitment is relatively low when willingness to leave the job is present (Donnelly et al., 2003). Higher turnover ratios lead to decreased quality in the audit reports (Brody et al., 1998). The credibility of the entire audit can be jeopardized by the dysfunctional actions of any audit member; therefore, suitable supervision of audit staff behaviour is essential (Sweeney et al., 2013). Following the literature on

performance appraisal and auditors behavior, an internal benchmarking is conducted between gender and experience. Benchmarking that is by definition is “a process of identifying, understanding, and adapting outstanding practices from within the organization” (Vermeulen, 2003) will help to highlight the main difference in auditors behavior in terms of gender and experience.

2.4 Experienced v/s inexperienced auditors

Audit firms employ both inexperienced entry-level accountants and top experienced auditors, otherwise known as staff auditors and different employment levels leading to partners. Experienced auditors are responsible for developing the mindset of, coaching, and orienting new inexperienced auditors, all while evaluating their performance (Emby and Etherington, 1996). Amateurs and professionals demonstrate different auditing practices. Inexperienced auditors are more likely to engage in dysfunctional behavior than their overseers (Gundry and Liyanarachchi, 2007), because they tend to focus on the job at hand, like inventory, payables, and cash audits, while experienced auditors are more concerned with audit error corrections in audit reports and budget monitoring (Herda and Martin, 2016). Also, inexperienced auditors are less likely to estimate the gravity of the matter at hand when performing under reporting of chargeable time (Leanne and Gregory, 2007). At the same time, experienced auditors view the importance of time budgets as lower, much like their apprentices. Based on this finding, Leanne and Gregory (2007) stated that inexperienced auditors engage in more dysfunctional audit behavior than their more experienced counterparts. It is believed that experience plays a pivotal role in an auditor's willingness to engage in dysfunctional behavior. Experienced auditors are believed to be more effective and efficient in their audit reporting, so they are less likely to exercise dysfunctional behavior (Donnelly et al., 2011). On another note, DAB is found to be tied to organizational

commitment; the higher the auditor's organizational commitment, the less the chances of dysfunctional behavior (Paino et al., 2014).

2.5 Influence of gender on performance

With the ever-changing environment and designs of businesses today and in light of their constantly increasing complexity, there is growing consideration for the importance of female appointments in top management (Adams and Ferreira, 2009; Chapple and Humphrey, 2014). Historically, males have predominantly occupied positions in the accounting profession. Females tend to face more barriers to success than males do in terms of wages and salaries, promotions, and hiring rates (Loprest, 1992; White, 1992; Glass Ceiling Commission, 1995).

Previous literature on women in charge is largely descriptive (Terjesen et al., 2009; Sealy et al., 2017). After 2009, changes began to arise. Researchers started theorizing and examining the interrelationships between gender and business financial performance to justify women's board participation (Sealy et al., 2017).

It is argued that women are more inclined toward transparency and effective monitoring in management activities, which results in better decision making/quality (Gul et al., 2011; Vathunyoo et al., 2016). Additionally, females are found to be more risk averse and more conservative than males (Palvia et al., 2015).

The topic of discussion in this study is whether gender plays a role in DAB. This topic has not been addressed in a straightforward manner. Prior research has discussed women on boards of directors (Walt and Ingley, 2003), women owners of small and larger family businesses (Fasci and Valdez, 1998), and gender dynamics in the sales profession (Dawson, 1997). To the best of our knowledge, the topic of gender correlation with dysfunctional audit behavior has not been

examined. The research questions for this study are developed in the research design section based on the above critical review of previous literature.

2.6 *Theoretical framework*

When facing risk, uncertainty and situations where individuals need to make immediate decisions, the prospect theory defines how individuals elect from different alternatives. Expected gains rather than expected losses are the main drivers for the risk-seeking individuals in times of loss (Berger and Vagner, 2018). In addition, during the process of decision-making, the prospect theory argues that there are anchoring effects when individuals are facing risk of their decisions. Auditors are said to behave with high levels of conservatism when a high risk is evaluated (Jixun, 2007).

Kahneman (2011) mentions the following: *“In bad choices, where a sure loss is compared to a larger loss that is merely probable, diminishing sensitivity causes risk seeking”* (p.285). The audit practice is structured in a way that demands too much time from auditors along with different pressures faced at fieldwork with a little return/gain for uncovering mistakes and errors. Stress anxiety is driven by junior auditors’ tendency to uncover mistakes at the expense of extra time and effort leading to more pressure and unstable behavior. Berger and Vagner (2018) conclude that auditors would accept small threats in relation to their dysfunctional behavior compared to the sure loss position that is defined by budget overruns and lost time.

3. **Research design**

3.1 *Research methodology*

The survey is designed to assess the change in willingness to demonstrate dysfunctional audit behavior while being stimulated by performance evaluation factors. The survey statements are mainly related to performance evaluation influences, leading to premature sign-offs and under

reporting of chargeable time. Big Four performance assessment templates are used for credibility and accuracy purposes. Dysfunctional behavior is assessed as premature sign-offs or underreporting of chargeable time in concurrence with prior studies (Kelly et al., 2011). The respondents were asked to rate their level of agreement based on the Five-point Likert Scale, where 1 stands for *Strongly Agree*, 2 stands for *Agree*, 3 stands for *No Opinion*, 4 stands for *Disagree*, and 5 stands for *Strongly Disagree*.

3.2 *Population and Sample*

The paper discusses the behavior of external auditors when expecting performance evaluation outcomes. The main contribution is that the data has been collected from a controlled sample over a period of three years. The survey has been sent twice to the same sample of auditors employed at one of the Big Four firms based in the UK. The first survey was sent in 2011 when the subjects were considered inexperienced auditors, and the same survey was sent to the same auditors after three years, in 2014, when the same participants had gained three years of experience and were considered experienced auditors. The sample comprises 113 observations. The unique advantage of the research sample is that it is controlled and followed up, making it possible to observe the changes in auditor behavior when experience increases and understanding of the work structure and performance evaluations increase.

3.3 *Measurement tools and analysis*

In an attempt to answer the first research question, the first analysis performed is based on the comparison of the response means between period 0 and period 3, resulting from the use of the five-point Likert scale. The aggregated means of every statement response is calculated. The latter contributes notably to this paper, because it represents crucial statistical results that reflect whether the respondents deviate toward either agreement or disagreement (Hyndman and Koehler, 2006).

Specifically, the study employed the Paired-Sample T-test, examining the differences between the two clusters at two different periods.

For the second research question, potential variances between male and female auditors at both period 0 and period 3 are subject to testing after stratifying the sample. The analysis is done using the Independent T-test (Aldenderfer & Blashfield, 1984). These comparative tests are used due to the sample groups being non-parametric (ordinal), and each sample group tested has more than 30 respondents, resulting in the sample being normally distributed (John and Priebe, 2007).

Due to the sample nature, once the initial sample was split, the resulting data rendered the two new clusters as normal (above 30). Thus, the data was transformed into ranks, with 1 assigned to the highest value before performing the independent T-test. The sample is divided between male and female respondents over the two different time periods. The respondents' replies to the survey statements were stratified and tested (based on the five-point Likert scale as explained previously). When transforming the data response variables into ranked ones, Rank 1 was assigned to the Likert scale response of 5. Thus, the lower the ranking or the closer it is to Rank 1, the stronger the disagreement is; conversely, the higher the ranking, the weaker the disagreement is.

4. Results

4.1 Descriptive statistics

The results in Table 1 indicate that the total response rate is 100% during both periods 0 and 3. The following response rate is considered acceptable due to the unique nature of the sample and the ability to have full access to the surveyed sample. Field visits to the audit firm are made over the tested periods. Both periods had a 100% response rate. Around 71.05% of the respondents were males, and 28.95% were females.

Insert Table 1 around here

4.2 Differences between experienced versus inexperienced auditors regarding the perception of dysfunctional behavior

The findings in Table 2 are presented using the paired-sample T-test.

Insert Table 2 around here

4.2.1 Premature sign-off by experience

Statements “S 3.1.2,” “S 3.1.6,” and “S 3.1.7” of the survey displayed in Table 2 show a significant shift in means. The mean difference of both groups was tested at a 95% significance rate with 5% confidence interval.

Statement (S3.1.2) has a p-value = 0.00. In period 0, inexperienced auditors' replies had a mean of 1.730 regarding their opinion about reduced experienced auditors' strictness in applying methodologies to receive positive client feedback (S3.1.2). The majority of the tested sample is leaning toward agreeing to the statement, especially statement S3.1.2, which targets the perception of experienced auditors only. Accordingly, inexperienced auditors are more honest when replying to this statement. In period 3, the mean shifted to 3.13, meaning that most of the experienced auditors now have no opinion, demonstrating a leaning toward disagreement with the previous statement. Experienced auditors seem to be more sensitive when replying to statements when such statements target their behavior. It is implied that, with added experience, auditors tend to have a better understanding of their firm's methodology. Our results align with Donnelly et al. (2011) who state that with added experience, auditors behave in less dysfunctional manner as they become more effective, efficient in the audit practice and reporting.

Statement (S3.1.6) has a $p\text{-value} = 0.035$. When questioned about their opinion regarding partners not reporting material control weaknesses in an attempt to receive non-audit assignments (S3.1.6), period 0 inexperienced auditors had a mean of 3.736, showing that they are on the verge of disagreeing, but in period 3, the experienced auditors' mean shifts significantly downwards to 3.26. This could be due to the fact that experienced auditors might be willing to get involved in increasing clients' portfolio by not declaring all weaknesses during a regular Financial Statement Audit (FSA). This statement reveals the wide different point of views between audit partners (experienced auditors) and audit trainees in terms to their perception of the managerial side of the audit practice. Such differences, if not properly narrowed, would harm the audit quality and the workplace (Brierley and Gwilliam, 2003). It signified that inexperienced auditors shifted their beliefs from slightly disagreeing to the statement that "experienced auditors avoid reporting material weaknesses when expecting a performance evaluation" to no opinion when reaching an experienced level, plausibly due to the fact that their growing awareness of factors, such as increasing clients' portfolios, helps them to receive better appraisals.

Statement (S3.1.7) has a $p\text{-value} = 0.00$. The responses indicate that auditors are less reliant on subject matter expertise in ambiguous audit report stages in the attempt to finalize the audit report before hand and as quickly as possible (S3.1.7). Inexperienced auditors in period 0 had a mean of 3.42, showing that the majority of the respondents have no opinion or lean toward disagreement. It can be noted that inexperienced auditors believe that ambiguous audit cycles are audited with the support of SME, regardless of budget constraints. In period 3 and when they became experienced auditors, the mean dropped to 1.699, showing that the respondents agree that less reliance takes place on the subject matter experts while the audit report conclusion is taking place. With added experience, the same respondents (auditors) get more involved in audit assignment

profitability, which will affect their performance evaluation at a later stage. The auditor who believes that certain audit cycles should employ the use of SMEs when they spend three years in the audit field also believes that there is no need for SMEs to clear assignments with the best recoverability for the sake of receiving good performance appraisal. Such behavior of not relying on experts, although experienced auditors are not expert in a certain matter, is harming the auditing profession. Clients are feeling frustrated having their financial statements handled by auditors not experts in their fields (Brierley and Gwilliam, 2003). Accordingly, the training and selection process play a vital role in mitigating dysfunctional behaving (Hyatt and Taylor, 2013).

4.2.2 Under-reporting of chargeable time by experience

Statement S3.2.7 has a p-value = 0.00. It shows a significant shift in its mean, while the remaining questions had no significant shift in the means. In period 0, inexperienced auditors' replies had a mean of 3.08 regarding their opinion about auditors delegating tasks. This perspective is based on the hourly rate of auditors rather than the required skills in order to achieve a profitable audit assignment, thus leading to potential performance appraisals. The majority of the respondents were leaning towards having no opinion about the statement. In period 3, the mean shifted to 1.619, showing that experienced auditors now believe that, to achieve good appraisals, audit managers are more concerned with assignments' recoverability rather than the skills and quality needed to finalize an audit assignment. With added experience, senior auditors perceive that audit managers are more eager than junior auditors to receive good appraisals. A good appraisal translates into better merits and a step toward potential promotion. Dysfunctional behavior is perceived to be exercised to receive positive outcomes of performance appraisals. What crucial in this scenario is to balance between the eagerness for better appraisals and the awareness about dysfunctional

behavior through a supervision and coaching and well designed training events Reference for (Audit Committees Worldwide, 2015).

4.3 Gender differences in perceiving audit dysfunctional behavior

A significant p-value is observed while performing the Independent T-test. The statements that indicated significance are reflected in Tables 3 and 4. At period zero, two statements showed significance (Chargeable Time S 3.2.1, p-value = 0.05 and Chargeable Time S6, p-value = 0.05). It is observed that the mean response of females to the following statement “An auditor expecting a promotion may exercise less professional skepticism if this would harm assignment profitability” is 14.27, while for male respondents, the mean is 21.63. This shows that female auditors tend to disagree compared to male auditors when it comes to behaving subjectively and conducting the audit with a less questionable mind. Thus, females are generally more responsible and reasonable auditors and are less prone to dysfunctional audit behaviour than male auditors.

The second statement at period zero showing significance was “Finishing an audit assignment with a good recoverability rate is one of the most important factors for a good appraisal and performance evaluation.” Female mean responses to that statement were 15.32, while the males demonstrated 21.94. Males agreed more with the fact that good performance appraisals come with good cost/rate determination in advance. Thus, males could be more prone to dysfunctional audit behaviour than females in this case. At period three, two statements showed considerable significance (Premature Sign-off S2 p-value = 0.033 and Premature Sign-off S3 p-value = 0.05). The results attained showed the subsequent outcomes.

Female respondents' mean to the following statement (S 3.1.2), “Strict audit firm methodology is less exercised by experienced auditors in order to receive positive feedback from clients” was 13.86, while male respondents had a mean of 21.63. The previous statement shows that females

agree less with exercising decreased strictness in the audit tasks to receive positive client feedback. Males are more pro-leniency in applying audit firm methodologies at the expense of getting positive client feedback, thus inferring that male auditors are prone to act dysfunctionally.

Regarding Statement S 3.1.3, “When there is a risk of losing an audit assignment, partners tend to compromise rather than comply fully with audit firm methodology and auditing standards,” the female respondents’ mean was 14.14, while male respondents had a mean of 20.46. This shows that females agree less with the practice of not fully abiding by audit standards when at risk of losing an audit assignment compared to their male counterparts. This indicated that male auditors are more susceptible to dysfunctional behaviour than female auditors are.

The general outcome of the above statements comparing the perception of female auditors to male auditors support the previous literature about females being appointed in top management (Chapple and Humphrey, 2014). It is found that females, after they suffered from the predominant male positions, are showing better transparency, effective monitoring and risk averse behaviour than their male counterparts (Palvia et al., 2015).

Insert Table 3 around here

Insert Table 4 around here

5. Conclusion and recommendations

The HRM job has witnessed significant involvement in auditing firms, starting by selecting the appropriate candidates, training them, and finally evaluating and appraising them (Brierley and Gwilliam, 2003). Selection is the process of selecting a fit candidate for a specific role that can successfully bring valuable contributions to the firm. According to Bharadwai and Menon's (2000),

human resources can most definitely provide an erratic and unparalleled source of competitive advantage, all while significantly increasing the firm's performance. While employees may have different behaviors and different attributes, their training must be dynamic and appropriately fitted (Lin et al., 2008). Research on auditors' performance appraisals is limited due to the critical context of the research topic itself (Herrbach, 2001). Some recent studies investigated the outcomes of the review and appraisal methods and the feedback source delivered to different categories of auditors (Dalton and Viator, 2013; Kadous et al., 2013; Schaefer, 2013; Bamber et al., 2014; Nehme, 2017). The objective of this paper is to highlight the dysfunctional behavior variation of auditors while expecting performance appraisals over two different time periods. Furthermore, the two periods would reflect how the constant sample demonstrates changes in its respondents' behavior while their experience is augmented from period 0 to period 3.

The findings show that the same auditors, after gaining three years of experience, become more sensitive when they reply to statements related to their group behavior. The same group of auditors used to believe that, when they are inexperienced, experienced auditors tend to apply less audit methodology in order to generate positive feedback from clients. Auditors' temptation to increase the audit firm portfolio for the sake of receiving good feedback from their superiors is also evidenced in our results. The same sample of auditors, after gaining experience, expressed the belief that having more assignments is vital to receiving good performance appraisals. Along with our findings, the results show how the perception of assigning audit members on audit assignments varies between inexperienced and experienced auditors. After three years of experience, the results show that the profitability of audit assignments is more important than the skills and expertise required to finish an audit assignment with good audit quality.

Through internal benchmarking based on the experience factor, the results clearly reflect that experienced auditors' opinion differs from when they were inexperienced regarding their agreement with premature sign-off. It can be evidently determined that experienced auditors are more tolerant of dysfunctional audit behavior than when they are inexperienced. In addition, internal benchmarking based on gender shows that men in general are more accepting of dysfunctional audit behavior, while women have less tolerance for dysfunctional audit behavior. Experienced female auditors still have a tendency to be less accepting of dysfunctional audit behavior than males did. The benchmarking exercise is not limited to external auditors as internal auditors benchmark their different tasks within an organization for better processes (Balzan and Baldacchino, 2007). Unlike the benchmarking taking place at the public sector which is normally in response to governmental requirements (Bowerman et al., 2002).

It is emphasized that the HRM criteria cannot be undermined, especially when promising performance enhancements and appraisals as pledged to auditors. Performance evaluations are not easy to undertake and execute (Neely, 1995). Audit quality is a very delicate matter to measure and understand, since it is sensitive to auditors' behavior. This paper aids in determining how auditor behavior varies when auditors gain experience over the years. The study addressed a sensitive sample regarding a pivotal topic in the auditing domain.

The results of this study will help practitioners to gain a clear understanding about the essential knowledge and background required to provide satisfactory performance in the workplace. The current study suggests that diversity among auditors not only provides fair access to the profession but also ensures that the risk of dysfunctional behavior can be mitigated through balanced audit teams. Moreover, this study evidenced that experience has a significant influence on auditors'

professional attitudes, which might bring some attention to experience diversity among the audit team for specific audit assignments.

This paper includes several implications. It can help practitioners, corporate executives, and audit firms to understand what factors can lead external auditors to commit dysfunctional behavior. Understanding these factors may help in retaining high audit quality in performing financial statements audit. It can also help to prevent high turnover in audit firms as a result of minimizing dysfunctional behavior. Moreover, building proper appraisal system that do not push auditors to behave unethically from one side and to serve its purpose from another side by assessing auditors' performance after each assignment.

Finally, this study provides useful insights for audit firms regarding the composition of audit teams and the required diversity of experience, gender, training, and knowledge to mitigate the risk of dysfunctional audit behavior.

References

- AccountAbility, (2003), "The State of Sustainability Assurance AccountAbility", London.
- Adams, R. B., & Ferreira, D., (2009), "Women in the boardroom and their impact on governance and performance", *Journal of financial economics*, Vol. 94 No. 2, pp. 291-309.
- Albrecht, W. S., Howe, K. R., Stocks, K. D., & Schueler, D., (1989), "How successful internal audit departments are evaluated", *Financial Executive*, Vol. 5 No. 3, pp. 39.
- Aldenderfer, M.S. and Blashfield, R.K., (1984), "Cluster Analysis", *Thousand Oaks, CA: Sage*
- Alderman, C.W. and Deitrick, J.W., (1982), "Auditor's perceptions of time budget pressures and premature sign-offs: a replication and extension", *Auditing: A Journal of Practice & Theory*, Vol.1 No. 2, pp. 55-68.
- Andiola, L. and Bedard, J.C., (2016), "What happens after audit review? The effects of individual feedback orientation and the supervisor's approach on attitudes and actions of staff auditors", *doctoral dissertation, Bentley University, Waltham, MA*".
- Balzan, L., & Baldacchino, P. J. (2007), "Benchmarking in Maltese internal audit units", *Benchmarking: An International Journal*, Vol. 14 No. 6, pp. 750-767
- Bamber, E.M., Payne, E.A. and Ramsay, R.J., (2014), "The effect of alternative methods of review on auditors' accountability and performance", *Working Paper, University of Georgia, University of Louisville, and University of Kentucky*.
- Bharadwai, S., & A. Menon., (2000), "Making Innovation Happen in Organizations: Individual Creativity Mechanisms, Organizational Creativity Mechanism or Both?", *Journal of Production and Innovation Management*, Vol.17, pp.424-34.
- Bowerman, M., Francis, G., Ball, A. and Fry, J. (2002), "The evolution of benchmarking in UK local authorities", *Benchmarking: An International Journal*, Vol. 9 No. 5, pp. 429-449.
- Breger, D., & Vagner, B. (2018), "Why the problem of premature sign-offs exists in auditing: a theoretical inquiry", *Journal of Theoretical Accounting Research*, 14(1).
- Brierley, J.A. and Gwilliam, D.R., (2003), "Human Resource Management in audit firms: a research agenda", *Managerial Auditing Journal*, Vol. 18 No. 5, pp. 431-438.
- Brody, R.G., Golen, S.P., & Reckers, Phillip M.J., (1998), "An Empirical Investigation of the Interface between Internal and External Auditors", *Accounting and Business Research*, Vol. 28 No. 3, pp. 160-171.
- Chapple, L., & Humphrey, J. E., (2014), "Does board gender diversity have a financial impact? Evidence using stock portfolio performance", *Journal of Business Ethics*, Vol. 122 No. 4, pp. 709-723.

- Chen, J.C., Silverthorne, C. and Hung, J.Y., (2006), "Organizational communication, job stress, organizational commitment, and job performance of accounting professionals in Taiwan and America", *Leadership & Organization Development Journal*, Vol. 27 No. 4, pp. 242-249.
- Choo, F., & Trotman, K., (1991), "The Relationship between Knowledge Structure and Judgments for Experienced and Inexperienced Auditors", *The Accounting Review*, Vol. 66 No. 3, pp. 464-485.
- Dalton, D. and Viator, R.E., (2013), "The interaction of mentoring support and adverse supervisory environments in public accounting firms", *Working Paper, Clemson University and Texas Tech University*.
- Dalton, T. and Kelley, T., (1997), "A Comparison of Dysfunctional Behaviours by Tax Accountants and Auditors under Time Budget Pressure", *Advances in Accounting*, Vol. 15, pp. 193-208.
- Dawson, L. M., (1997), "Ethical differences between men and women in the sales profession", *Journal of Business Ethics*, Vol. 16 No. 11, pp. 1143-1152.
- Demeré, B.W., Krishnan, R., Sedatole, K.L. and Woods, A., (2016), "Do the incentive effects of relative performance measurement vary with the ex-ante probability of promotion?", *Management Accounting Research*, Vol. 30 No. 1, pp. 18-31.
- Dessler, G., (2005), "Human resource management", *Upper Saddle River, NJ: Pearson/Prentice Hall*.
- Donnelly, D. P., Quirin, J. J., & O'Bryan, D., (2011), "Attitudes toward dysfunctional audit behavior: The effects of locus of control, organizational commitment, and position", *Journal of Applied Business Research (JABR)*, Vol. 19 No. 1.
- Donnelly, D.P., Quirin, J.J. and O'Bryan, D., (2003), "Auditor acceptance of dysfunctional audit behavior: an explanatory model using auditors' personal characteristics", *Behavioral Research in Accounting*, Vol. 15 No. 1, pp. 87-110.
- Emby, C. and Etherington, L.D., (1996), "Performance evaluation of auditors: role perceptions of superiors and subordinates", *Auditing: A Journal of Practice and Theory*, Vol. 15 No. 2, pp. 99-109.
- Engemann, K. (2006), "Performance Evaluation and Benchmarking", *Benchmarking An International Journal*, Vol. 13 No. 5, pp. 629-631.
- European Commission's Network to Promote Women in Decision-making in Politics and the Economy, (2011), *The Quota instrument: different approaches across Europe*.
- Fasci, M. A., & Valdez, J., (1998), "A performance contrast of male-and female-owned small accounting practices", *Journal of small business management*, Vol. 36 No. 3, pp. 1.
- Glass Ceiling Commission. (1995), "Glass Ceiling Commission-Good for Business: Making Full Use of the Nation's Human Capital", *Federal Publications*, p. 116.

- Greer, J. and K. Bruno. (1996) *Greenwash: The Reality Behind Corporate Environmentalism*. Penang, Malaysia: Third World Network and New York: the Apex Press.
- Gundry, L. C., & Liyanarachchi, G. A., (2007), "Time budget pressure, auditors' personality type, and the incidence of reduced audit quality practices", *Pacific Accounting Review*, Vol. 19 No. 2, pp. 125-152.
- Hawkins, D. M., & Olwell, D. H., (2012), "Cumulative sum charts and charting for quality improvement", *Springer Science & Business Media*.
- Herda, D. N., & Martin, K. A., (2016), "The Effects of Auditor Experience and Professional Commitment on Acceptance of Underreporting Time: A Moderated Mediation Analysis", *Current Issues in Auditing*, Vol. 10 No. 2, pp. A14-A27.
- Herrbach, O., (2001), "Audit quality, auditor behaviour and the psychological contract", *European Accounting Review*, Vol. 10 No. 4, pp. 787-802.
- Hong, N. T. P., & Thuong, N. T. (2020), "Expectation Gap in Auditor Responsibilities: A Case Study", *Journal of Security & Sustainability Issues*, Vol. 9 No. (4), pp. 1283-1295
- Howieson, B. (2003). Accounting practice in the new millennium: is accounting education ready to meet the challenge? *The British Accounting Review*, Vol. 35 No. (1), pp. 69-103.
- Hyatt, T. and Taylor, M.H., (2013), "The effects of time budget pressure and intentionality on audit supervisors' response to audit staff false sign-off", *International Journal of Auditing*, Vol. 17 No. 1, pp. 38-53.
- Hyndman, R. J., & Koehler, A. B., (2006), "Another look at measures of forecast accuracy", *International journal of forecasting*, Vol. 22 No. 4, pp. 679-688.
- Jixun, Y. M. Z. (2007), "The Research on the Anchoring Effects in Auditing Judgment", *Journal of Auditing Research*, 4.
- John, M., & Priebe, C. E., (2007), "A data-adaptive methodology for finding an optimal weighted generalized Mann–Whitney–Wilcoxon statistic", *Computational Statistics & Data Analysis*, Vol. 51 No. 9, pp. 4337-4353.
- Kadous, K., Leiby, J. and Peecher, M.E., (2013), "How do auditors weight in formal contrary advice? The joint influence of advisor social bond and advice justifiability", *Accounting Review*, Vol. 88 No. 6, pp. 2061-2087.
- Kakkar, S., Dash, S., Vohra, N., & Saha, S. (2020), "Engaging employees through effective performance management: an empirical examination", *Benchmarking: An International Journal*, Vol 27 No. 5, pp. 1843-1860
- Kelly, T., Margheim, L., & Pattison, D., (2011), "Survey on the differential effects of time deadline pressure versus time budget pressure on auditor behavior", *Journal of Applied Business Research (JABR)*, Vol. 15 No. 4, pp. 117-128.

KPMG (2011), Performance Review, KPMG, London.

Lee, C. C. (2018), "Efficiency evaluation of accounting firm partnerships from the perspective of operating difficulties, strategies, and practices in mainland China", *Benchmarking: An International Journal*, Vol. 5 No. 8, pp. 2968-2996.

Lin, C. H., C.H. Peng, & D. Kao., (2008), "The Innovativeness Effect of Market Orientation and Learning Orientation on Business Performance", *International Journal of Manpower*, Vol. 29 No. 8, pp. 752-772.

Loprest, P. J., (1992), "Gender differences in wage growth and job mobility", *The American Economic Review*, Vol. 82 No. 2, pp. 526-532.

McDaniel, L.S., (1990), "The effects of time pressure and audit program structure on audit performance", *Journal of Accounting Research*, Vol. 28 No. 2, pp. 267-285.

McManus, L., & Subramaniam, N., (2009), "Ethical evaluations and behavioral intentions of early career accountants: The impact of mentors, peers and individual attributes", *Accounting and Finance*, Vol. 49, pp. 619-643.

Neely, A.D., Gregory, M.J. and Platts, K., (1995), "Performance measurement system design: a literature review and research agenda", *International Journal of Operations & Production Management*, Vol. 15 No. 4, pp. 80-116.

Nehme, R. (2017), "Performance evaluation of auditors: a constructive or a destructive tool of audit output", *Managerial Auditing Journal*, Vol. 32 No. 2, pp. 215-231.

Otley, D. and Pierce, B., (1995), "The control problem in public accounting firms: an empirical study of the impact of leadership style", *Accounting, Organizations and Society*, Vol. 20 No. 5, pp. 405-420.

Paino, H., Ismail, Z., & Smith, M., (2014), "Modelling dysfunctional behaviour: individual factors and ethical financial decision", *Procedia-Social and Behavioral Sciences*, Vol. 145, pp. 116-128.

Palvia, A., Vahamaa, E. and Vahamaa, S., (2015), "Are female CEOs and Chairwomen more conservative and risk averse? Evidence from the banking industry during the financial crisis", *Journal of Business Ethics*, Vol. 131, pp. 577-594.

Price Waterhouse Coopers, (2011), "Performance Coaching and Development".

Public Oversight Board, (2000), "The Panel on Audit Effectiveness Report and Recommendations", *Stamford*, CT.

Robertson, J.C., Stefaniak, C.M., and Curtis, M.B., (2011), "Does Wrongdoer Reputation Matter?. Impact of Auditor-Wrongdoer Performance and Likeability Reputations on Fellow Auditors' Intention to Take Action and Choice of Reporting Outlet", *Behavioral Research in Accounting: Fall*, Vol. 23 No. 2, pp. 207-234.

- Rosli, M. and Mahmood, R., (2013), "Moderating Effects of Human Resource Management Practices and Entrepreneur Training on Innovation and Small-Medium Firm Performance", *Journal of Management and Strategy*, Vol. 4 No. 2, pp. 60-69
- Schaefer, T.J., (2013), "The effects of social costs and internal quality reviews on auditor consultation strategies", *Doctoral Dissertation, University of South Carolina*, Columbia, SC.
- Sealy, R., Doldor, E., Vinnicombe, S., Terjesen, S., Anderson, D., and Atewologun, D., (2017), "Expanding the notion of dialogic reading zones for impactful research: The case of women on boards research", *British Journal of Management*, Vol. 28, pp. 64–83.
- Siebert, H. & Klodt, H. (2001). Towards global competition: catalysts and constraints in global business regulation: some research perspectives. In: Thorne, K., Turner, G. (Eds.), Frenchs Forest, Pearson Education Australia, New South Wales.
- Singh, A. and Gupta, B. (2015), "Job involvement, organizational commitment, professional commitment, and team commitment: A study of generational diversity ", *Benchmarking: An International Journal*, Vol. 22 No. 6, pp. 1192-1211
- Singh, N. (2018), "Strategic human resource practices for innovation performance", *Benchmarking: An International Journal*, Vol. 25 No. 9, pp. 3459-3478
- Smith, R., (1995), "Under reporting time: an analysis of current tax practice", *Journal of Applied Business Research*, Vol. 11 No. 1, pp. 39-45.
- Southard, P. and Parente, D. (2007), "A model for internal benchmarking: when and how?", *Benchmarking: An International Journal*, Vol. 14 No. 2, pp. 161-171.
- Sweeney, B., Pierce, B., Donald F. and Arnold Sr., (2013), "The impact of perceived ethical intensity on audit-quality-threatening behaviours", *Accounting and Business Research*, Vol. 43 No. 2, pp. 112-137.
- Terjesen, S., Sealy, R. and Singh, V., (2009), "Women directors on corporate boards: A review and research agenda", *Corporate governance: an international review*, Vol. 17 No. 3, pp. 320-337.
- The Audit Committee Collaboration, (2015), "The External Auditor Assessment Tool: A Reference for Audit Committees Worldwide", Washington, DC.
- VandeWalle, D., Cron, W.L. and Slocum, J.W., (2001), "The role of goal orientation following performance feedback", *Journal of Applied Psychology*, Vol. 86 No. 4, pp. 629-640.
- Vathunyoo, S., Gonzalez, A. and Hagendorff, J., (2016), "Women on board: Does boardroom gender diversity affect firm risk?", *Journal of Corporate Finance*, Vol. 36, pp. 26-53.
- Vermeulen, W. (2003), "Benchmarking as an enabler of business excellence in the South African financial sector", *Benchmarking: An International Journal*, Vol. 10 No. 1, pp. 65-72

Walt, N., & Ingley, C., (2003), "Board dynamics and the influence of professional background, gender and ethnic diversity of directors", *Corporate Governance: An International Review*, Vol. 11 No. 3, pp. 218-234.

Wanke, P., Barros, C. and Azad, M.A.K. (2017), "Measuring efficiency drivers and productive slacks in UK auditing firms", *Benchmarking: An International Journal*, Vol. 24 No. 3, pp. 806-823.

White, S. C., (1992), "Arguing with the crocodile: gender and class in Bangladesh", *Zed Books*.

Williams, E.S., Konrad, T.R., Scheckler, W.E., Pathman, D.E., Linzer, M., McMurray, J.E., Gerrity, M. and Schwartz, M., (2001), "Understanding physicians' intentions to withdraw from practice: the role of job satisfaction, job stress, mental and physical health", *Health Care Management Review*, Vol. 26 No. 1, pp. 7-19.